

Message Text

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ACTION COME-00

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7301

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E O 11652: NA

TAGS: BENC, RP

SUBJECT: MAJOR PROJECTS: PHILIPPINE PETROCHEMICAL COMPLEX

REF: STATE 58795

1. SUMMARY: PNOC, APDC, AND BECIP ARE WORKING FEVERISHLY TO CONCLUDE A FINAL FEASIBILITY STUDY ON THE PETROCHEMICAL PROJECT BY LATE APRIL. NO FINAL COMMITMENTS ON PROJECT MANAGERS, ENGINEERING/CONSTRUCTION FIRMS, OR EQUITY PARTNERS WILL BE MADE UNTIL FINAL GOP APPROVAL OF THE PROJECT IS RECEIVED, PERHAPS BY MID-YEAR. THERE ARE INDICATIONS THAT AT LEAST PRELIMINARY COMMITMENTS TO FOREIGN EQUITY PARTNERS FOR THE DOWNSTREAM PLANTS HAVE BEEN MADE, BUT THIS INFORMATION IS BEING HELD CLOSELY. END SUMMARY.

2. THE PNOC (PHILIPPINE NATIONAL OIL CORP.) IS PRESENTLY WORKING FEVERISHLY ON A FINAL FEASIBILITY STUDY FOR THE PETROCHEMICAL PROJECT. IT IS BEING ASSISTED BY BECIP: (BUREAU D'ETUDES ET COOPERATION INDUSTRIEL DU PETROLE) OF FRANCE. THE DUE DATE IS LATE APRIL OR EARLY MAY. A FINAL DECISION BY THE GOVERNMENT (READ PRESIDENT MARCOS) ON WHETHER TO GO AHEAD WITH THE PROJECT OR NOT COULD BE MADE BY MID-YEAR.

3. JOVELLANOS OF PNOC HAS TAKEN CHARGE OF THE OVER-ALL PROJECT STUDY, AND RECEIVES ASSISTANCE FROM APDC (ASIAN LIMITED OFFICIAL USE

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PETROCHEMICAL DEVELOPMENT CORP.) ON PACKAGING THE DOWNSTREAM PART OF THE PROJECT. ALL PARTIES INVOLVED IN THE PROJECT CONCUR THAT AN OVERALL PROJECT MANAGER WILL BE UTILIZED AND A NUMBER OF FIRMS HAVE SUBMITTED PROPOSALS, INCLUDING U.S. FIRMS. JOVELLANOS STATES THAT THE FINAL DECISION ON THE MANAGEMENT CONTRACTOR WILL BE TEMPERED BY FINANCING BROUGHT TO THE PROJECT, BUT FINANCING WILL NOT BE THE SOLE

DETERMINANT. THERE IS NO SHORT LIST YET FOR THE OVERALL MANAGEMENT CONTRACTORS AND THERE WILL NOT BE UNTIL THE FINAL DECISION IS MADE TO GO AHEAD WITH THE PROJECT ACCORDING TO JOVELLANOS. FYI: REGIONAL BECHTEL REPRESENTATIVE CALLED ON THE EMBASSY RECENTLY AND INDICATED HIS FIRM WAS NOT PARTICULARLY INTERESTED IN THIS PROJECT. END FYI.

4. A TRADE SOURCE ASSOCIATED CLOSELY WITH THE PROJECT INFORMS US THAT THE FOREIGN PARTNERS FOR THE FOUR (NOT SIX AS PREVIOUSLY PLANNED) DOWNSTREAM PLANTS HAVE BEEN "TENTATIVELY" SELECTED AND "TENTATIVELY" APPROVED BY THE GOP AND ARE WORKING CLOSELY WITH THE PNOC/BECIP GROUP ON THE FINAL OVERALL FEASIBILITY STUDY. HE WOULD NOT IDENTIFY THE FIRM. JOVELLANOS CONFIRMS THAT THERE IS A SHORT LIST OF "ONE OR TWO" CANDIDATES FOR EACH OF THE FOUR UNITS. PNOC IS NOT PREPARED TO RELEASE THE NAMES UNTIL THE PROJECT IS FINALLY APPROVED. ANOTHER TRADE SOURCE UNDERSTANDS THAT AT PRESENT THE FOLLOWING FIRMS HAVE BEEN SELECTED: UBE OF JAPAN FOR POLYPROPYLENE, USI OF TAIWAN FOR LOW AND HIGH DENSITY POLYETHYLENE, AND HOOKER OF USA FOR CHLORINE-CAUSTIC/VCM/PVC. HE STRESSED, HOWEVER, THAT THESE ARE NOT ENTIRELY FIRM AND ARE SUBJECT TO CHANGE.

5. AS PRESENTLY STRUCTURED, THE FOUR DOWNSTREAM PLANTS MENTIONED IN PARA 4 WILL BE BUILT FOR ALL PRACTICAL PURPOSES, SIMULTANEOUSLY WITH THE ETHYLENE CRACKER. THEY WILL NOT BE PHASED. THE CRACKER WILL HAVE A CAPACITY OF 225,000 MT/YR OF ETHYLENE AND THE DOWNSTREAM PLANTS WILL BE SCALED ACCORDINGLY. MARKET PROJECTIONS BEING USED BY THE PLANNERS

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AT PNOC AND ABDC INDICATE THE ENTIRE SCHEME COULD JUSTIFY DOUBLING IN SCALE IN FIVE YEARS, AND A SECOND PHASE IS BEING CONSIDERED AT THE TIME.

6. JOVELLANOS INFORMS US THAT PROCUREMENT OF ENGINEERING SERVICES FOR THE ETHYLENE CRACKER WILL ALSO FOLLOW THE FINAL APPROVAL FOR THE PROJECT. IN THE MEANTIME VARIOUS QUALIFIED FIRMS, INCLUDING U.S., ARE MAKING PROPOSALS. WE KNOW LOOMIS, AND STONE AND WEBSTER, HAVE INVESTIGATED THIS PROJECT. TRADE SOURCES BELIEVE "TENTATIVE" FINAL SELECTION WILL BE MADE IN LATE APRIL. JOVELLANOS CONCEDES THERE ARE MORE THAN ENOUGH SUITORS, INCLUDING U.S., FOR BOTH THE UPSTREAM AND DOWNSTREAM PORTIONS OF THE PROJECT.

7. FROM THE NUMBERS OF U.S. FIRMS THAT HAVE CALLED ON US ABOUT THE PROJECT, AND OTHERS WE HAVE HEARD WERE IN TOWN BUT DIDN'T CALL, WE MUST AGREE WITH THIS ASSESSMENT. THE "TRADE" KNOWS THE PROJECT IS BEING CONSIDERED, AND THOSE CAPABLE FIRMS INTERESTED IN PARTICIPATING HAVE HAD AMPLE

OPPORTUNITY TO ANNOUNCE THEIR INTERESTS. WE CONCLUDE THAT
IF THIS PROJECT DOES GO, BY NO MEANS A CERTAINTY, THE U.S.
FIRMS WILL BE INVOLVED IN PARTS OF IT, AND A FAIR SHARE
OF U.S. SERVICES AND EQUIPMENT WILL BE USED. AGAIN, THE
ABILITY TO BRING FINANCING TO THE PROJECT WILL PLAY A ROLE
IN WHO GETS THE ACTION.

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